



Assets for All

“For every dollar owned by the average white family in the US, the average family of color has less than a dime. Wealth, not income alone, may be the most important index of inequality in America.”¹

Goal: Seed a future for every child in New Mexico with Children's Savings Accounts (CSAs) by 2015.

Rationale: The stark contrast in opportunities and outcomes for low wealth families may be overcome by seeding a future for ALL children.

Context: Prosperity Works advocates for structural change that will increase opportunities of those who are the least well off politically, economically and socially. To develop high impact, comprehensive, economically sound social policy in New Mexico, we lead a partnership that includes nearly 50 financial institutions, Community Based Organizations (CBOs) and tribal entities, a free tax preparation network and a cadre of financial educators and coaches. The outcome of our strategies decreases costs and increase income so that savings and asset formation is possible within our communities.

Facts that HURT:

- ⤴ The gap in standardized test scores between high and low income students is up 40% since the 1960's. This testing gap is now double that which exists between white and black students.
 - ⤴ high income families spend 9 times as much on educational enrichment programs than low income families
 - ⤴ between birth and age 6, high income families spend 13,000 hours more in literacy activities with children than low income families
- ⤴ The generational education gap is increasing. Until 1970, fewer than 1 in 10 young adults had completed less education than their parents. By the 1990's that number grew to 2 in 10, or double.²
- ⤴ Imbalance between rich and poor in college completion -- the single most important predictor of workforce success -- has grown by 50% since the 1980's.

¹ *The Color of Wealth* was completed before the economic downturn, and foreclosure crisis. It is now believed that the disparity is 5 cents to the dollar.

² *Whiter Opportunity?* 2012

The Situation in New Mexico:

With almost **half of children under 5 in New Mexico living in poverty** a future of failure is being written for them that is unconscionable and extremely costly. The corrosive effects of unequal family resources, disadvantaged neighborhoods, insecure labor markets, and worsening school conditions on K-12 education is undermining one of the most important goals of public education—the ability of schools to provide children with an equal chance at academic and economic success.

Facts that Create Futures of Hope and Prosperity:

- ⬆ Asset-building policies that extend early access to savings accounts improve saving outcomes for young people from lower income households.
- ⬆ CSA's interact with developmental stages to motivate and facilitate savings.
- ⬆ Research and practice have shown that family ownership of even a few thousand dollars in assets can give children not only a measure of economic security, but also a transformative sense of possibility and hope for the future ³
- ⬆ Children with savings in their name are given a stake in their future. As such, they are more inclined to take control over their educational experience and feel more empowered to attend college and persist through graduation ⁴
- ⬆ While CSAs might be usefully promoted as a potential solution to inequality, asset poverty, low household and national savings, lack of opportunity, college affordability, and financial capability, and may in fact address each of these issues to some extent,

CSAs should be viewed foremost in simple terms as saving and investing for future economic security and development.

By May of 2013 we will have:

- Detailed the infrastructure, policies, products and funding required to effectively and efficiently provide CSA's to all Kindergartners in the South Valley of Albuquerque;
- Designed or selected a financial education system for participant children and their parents;
- Determined the feasibility (including costs) of providing banking and incentivized savings products to the parents and grandparents of participant children;
- Structured and seeded a trust fund that may continue to expand asset formation opportunities in New Mexico.

3 CFED

4 William Elliot, New America Foundation, 2011